GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:2677
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IMPACT OF RECESSION ON SMALL SCALE INDUSTRIES
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Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a): whether the Global Economic recession has its adverse effect on the Small and Medium Enterprises; and

(b): if so, the reaction of the Government thereto?

Answer

MINISTER OF MICRO,SMALL & MEDIUM ENTERPRISES(SHRI MAHABIR PRASAD)

(a) & (b): In the wake of recent global financial crisis, the Ministry of Micro, Small and Medium Enterprises (MSME) has been receiving representations from various Micro and Small Enterprises(MSE) Associations highlighting problems with regard to credit squeeze by the banks, high rates of interest on MSE loans,reduction in orders, delayed payments by the big enterprises, etc.

The Government has announced on 7th December 2008 specific measures to support the MSME sector, which inter alia include:

(i) extending guarantee cover under Credit Guarantee Scheme on loans from Rs.50 lakh to Rs.1 crore with guarantee cover of 50 per cent and reducing lock-in period for loans covered under the scheme from 24 to 18 months;

(ii) to issue an advisory to Central Public Sector Enterprises and request to State Public Sector Enterprises to ensure prompt payment of bills of MSMEs;

(iii) cut of 4 per cent in the ad valorem Cenvat rate for the balance part of current financial year on all products (other than petroleum and those where the current rate is less than 4 per cent) and

(iv) interest subvention of 2 per cent in pre and post-shipment export credit for Small and Medium Enterprises (SME) sector upto 31st March 2009. Further, the Reserve Bank of India has announced a refinance facility of Rs. 7,000 crore for Small Industries Development Bank of India (SIDBI) to facilitate the flow of credit to MSMEs.